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U.S. Aides Tell Of Hostage Plan That Collapsed

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WASHINGTON, March 1 — In early 1986, the Reagan Administration put together a complex operation to rescue a hostage in Lebanon by paying multi-million-dollar ransom with chemically treated bills designed to disintegrate after several days, according to Administration officials.

The officials said the operation was on the brink of succeeding when the United States carried out its bombing of Libya on April 15. The hostage, Peter Kilburn, was reported dead days later by an Arab group that said it was avenging the Libya raid.

Lieut. Col. Oliver L. North, the White House aide who oversaw the ransom operation, felt crushed, and he blamed the Central Intelligence Agency, saying it had dragged its feet, according to officials and documents reprinted in the Tower Commission report.

An Elegant Swindle

As drawn up, the operation — which was not described in the commission's report — was intended to be an elegant swindle that would free Mr. Kilburn, leave the captors with what one official called "a suitcase full of confetti," and lead to the arrest of the Canadian who was serving as the captors' representative in the deal.

Officials said the failed operation is an important case study because it was one of a series of incidents that convinced Colonel North to rely on private individuals rather than normal procedures for secret missions overseas. The attempt to rescue Mr. Kilburn was organized by the Federal Bureau of Investigation and the Central Intelligence Agency, and it was coordinated by an interdepartmental group on combating terrorism that was headed by Colonel North, the officials said.

"North was very frustrated," one Administration official recalled. "The C.I.A. didn't work it fast enough and it led him to believe they were hopeless."

George Lauder, a spokesman for the C.I.A., when asked for comment about Colonel North's reported views, said that any assertion that the Central Intelligence Agency was responsible for the death of Mr. Kilburn through nonfeasance or malfeasance is untrue. The C.I.A., he said, made every attempt to free Mr. Kilburn as well as the other hostages in Beirut, and it continues to do so.

Stephen Gladis, a spokesman for the F.B.I., had no comment on reports of the plan to free Mr. Kilburn.

Political Agenda Not Known

Mr. Kilburn, the erudite, gentle-tempered librarian at the American University in Beirut, was kidnapped in Beirut in December 1984 by a Lebanese group that officials say had no known political or religious agenda. Administration officials said at the time, and continue to contend, that his captors were separate from those holding the other Americans in Lebanon.

There was suspicion among American intelligence analysts, never conclusively proved, that the group holding Mr. Kilburn had ties to a senior Syrian official in Lebanon who some analysts say may have directed the kidnapping for personal gain.

Four days after Mr. Kilburn was killed, Colonel North wrote, according to Appendix B of the Tower Commission report, that "the Kilburn tragedy has us very concerned because there appears to be some possibility of Syrian complicity in Kilburn's death and the same could happen to our other hostages if the Syrians are able to put their hands on them."

Planning Began in 1985

Officials said planning to rescue Mr. Kilburn began in 1985 after a Canadian citizen of Armenian extraction contacted the Government, asserting that he represented the kidnappers. American officials were skeptical, and demanded proof of the intermediary's bona fides.

The officials were surprised when shortly afterward, he delivered an identification card used by Mr. Kilburn in Beirut. "It was astonishing," one Administration official recalled. "Nobody had heard anything of Kilburn, and suddenly this fellow appears." American intelligence officials subsequently developed other evidence that the intermediary was indeed speaking for the captors.

One Administration official then began dealing seriously with the Canadian, and as soon as they expressed any interest in paying ransom, the price was sharply increased, from approximately \$500,000 to more than \$3 million.

Logistical Hurdles

There were many logistical problems, officials said. For one thing, the captors were demanding that the ransom be paid in small denominations, so the technical experts were faced with the daunting problem of treating huge quantities of bills. Also, the officials said it took a while to develop the appropriate mixture of chemicals. One early attempt at treating the bills caused them to disintegrate after only 24 hours. The officials decided that the bills would have to last longer, in case the captors became suspicious and tried to delay the exchange.

At this time, Administration officials were fairly confident the operation would succeed and they alerted members of Mr. Kilburn's family. Rose Kilburn, who is the wife of Peter Kilburn's nephew, recalled meeting with Colonel North in Washington on March 16 and quoted him as saying: "If I told you

what we were doing, you'd probably never speak to us again." Mrs. Kilburn said that she had not been told about the operation, but she said a Government official had mentioned that a suitcase full of money was being prepared.

Bombs Fall on Libya

While Colonel North and the interdepartmental group in the White House were working on the Kilburn rescue, the Administration in early April was moving rapidly toward a confrontation with Libya. The bombs fell on Tripoli before Mr. Kilburn could be rescued.

It is still not entirely clear who killed Mr. Kilburn. Some Western intelligence officials speculated that the Libyan leader, Col. Muammar el-Qaddafi, may have bought him from the kidnappers and killed him, although rumors at the time suggested that Colonel Qaddafi was trying to win the release of Mr. Kilburn as a publicity move. Another theory holds that he was killed by a faction in Beirut that was hoping to show solidarity with Libya.

Whatever the reason, Colonel North's anger at the C.I.A. over the failure of the mission was evident, although it is not clear what precisely he felt the agency had done wrong.

In one internal computer message, written on May 31, 1986, and cited in the Tower Commission report, Colonel North raises the possibility of a military operation to rescue the surviving American hostages in Lebanon. Referring to the C.I.A.'s purported shortcomings, he mentions the subsequent recruitment of a force of Druse who reported to Amiram Nir, the Israeli counterterrorism official, and Richard V. Secord, a retired Air Force major general who is identified in the message by the code name Copp.

"After the C.I.A. took so long to organize and then botched the Kilburn effort," Colonel North wrote, "Copp undertook to see what could be done thru one of the D.E.A. developed Druse contacts. Dick has been working with Nir on this and now has three people in Beirut and a 40 man Druse force working 'for' us."

It could not be learned what operations, if any, were carried out for the United States by this Druse contingent.

A Variety of Efforts

The interdepartmental group headed by Colonel North worked on a variety of terrorism problems for the Reagan Administration. Some of these involved policy issues, while others included such sensitive efforts as coordinating plans to kidnap terrorists facing charges in American courts. Officials said the group also studied, and eventually rejected, the idea of trying to rescue the hostages held by the Shiite Moslem group Islamic Holy War.

In contrast to the National Security Council's reported conduct of the Iran arms dealings, the interdepartmental group regularly included and consulted representatives from all the appropriate agencies, including the State Department, Pentagon, C.I.A. and Federal Bureau of Investigation.

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A month after the Kilburn operation failed, Colonel North put in place a plan to pay \$1 million to representatives of Islamic Holy War, the group holding the other hostages. This time, he worked outside the operation support group. Real money was used, and it was raised from the Texas oil millionaire H. Ross Perot. Additionally, the logistics were handled by General Secord, not the C.I.A. Even so, the exchange did not come to fruition — becoming another example of a hostage rescue plan that went awry.